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# **A developing country perspective of corporate social responsibility: a test case of Bangladesh**

## **Abstract**

The 'social contract' between the corporation and the community is of critical importance. The motivations for these contracts are continuously being revisited to understand how CSR programs can nurture and contribute to the growth of firms. While CSR issues are attracting a great deal of attention in the developed world, there is a need for more research into CSR in the developing world. This paper considers the CSR practices of a small sample of multinational corporations (MNCs) and local firms in Bangladesh to better understand this situation.

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# **A Developing Country Perspective of Corporate Social Responsibility: A Test Case of Bangladesh**

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**Byron Keating, University of Wollongong**

## **Abstract**

The 'social contract' between the corporation and the community is of critical importance. The motivations for these contracts are continuously being revisited to understand how CSR programs can nurture and contribute to the growth of firms. While CSR issues are attracting a great deal of attention in the developed world, there is a need for more research into CSR in the developing world. This paper considers the CSR practices of a small sample of multinational corporations (MNCs) and local firms in Bangladesh to better understand this situation.

## **Introduction**

Corporate social responsibility (CSR) has generated significant debate in academic and corporate circles in recent times. This debate acknowledges the importance of CSR in the first-world, but raises questions regarding the extent to which corporations operating in developing countries have CSR obligations (Jamali and Mirshak, 2007). Conventional wisdom suggests that CSR is more relevant to corporations operating in the developed countries due to elevated community expectations of socially responsible behaviour. In contrast there is also a belief that societal expectations in the developing countries mainly centre on economic growth; therefore relegating CSR to be of lesser importance to the society and the firms (Khan, 1985). Against this back drop, this paper discusses the situation prevailing in the developing world to broaden our understanding of the perceptions and practices of CSR. Bangladesh is used as a test case for this purpose because this country is believed to possess the typical characteristics of a developing country.

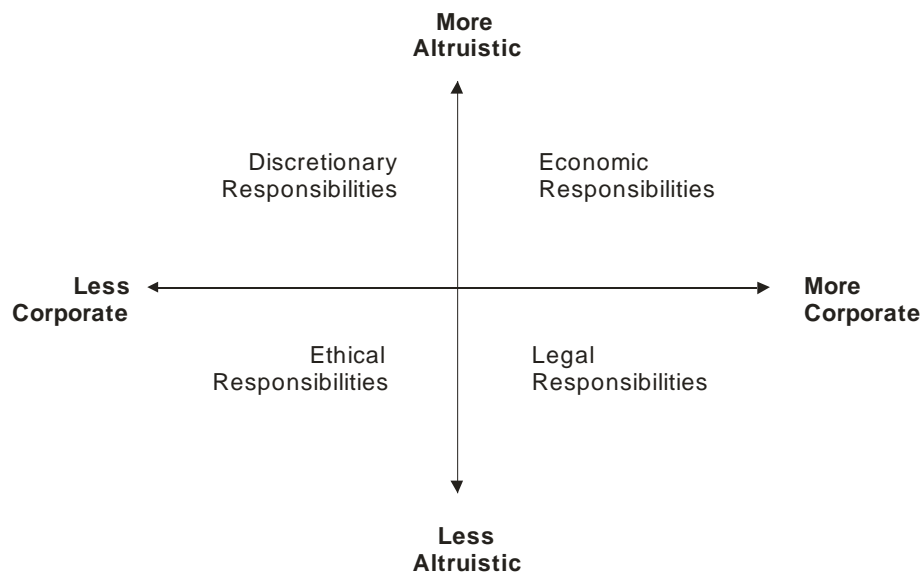
The main objectives of this paper are three-fold: (1) review the literature regarding CSR in the developing country context; (2) develop a conceptual framework that can be used for evaluating CSR in developing countries; and (3) apply this conceptual framework to present a case study of the major issues affecting CSR practices in Bangladesh.

## **Literature Review**

CSR has been historically viewed as a developed-country phenomenon. As such, a large body of literature on social performance of firms has emerged in the context of developed countries. Literature on the theory and practice on CSR in the developing countries therefore remains scant (Belal, 2000). An extensive literature review was undertaken to provide clues regarding the key CSR issues affecting developing countries; however, due to space constraints we are not able to present this information. Interested persons are encouraged to contact the authors for this information if required. From the 11 articles identified, it could be

seen that the main issues pertaining to CSR in the developing world relate to the strategic motivations for adopting socially responsible practices. In particular, CSR actions appear to reflect Carroll's (1979) four competing priorities—that is, firms adopt social responsibility in order to meet their economic, legal, ethical and discretionary responsibilities.

Combining Carroll's (1979) framework with Quazi and O'Brien's (2000) model for corporate social responsibility provides a useful mechanism for investigating CSR in Bangladesh. Carroll (1979) suggested that all firms strive to balance their economic, legal, ethical and discretionary responsibilities in order to meet their social obligations. Quazi and O'Brien (2000), on the other hand, considered CSR actions within a two-dimensional model that positioned such actions in terms of whether their strategic motivation was altruistic or corporate. Figure 1 provides a graphical representation of the conceptual framework to be used in this study.



**Figure 1: Social Responsibility Categories** (Source: Adapted from Carroll, 1979; Quazi and O'Brien, 2000)

Economic responsibilities lay the foundation of all social obligations and are deeply rooted in the classical doctrine of “business of business is business” as endorsed by noble laureate Milton Friedman (1970). Legal responsibilities are mandatory for corporations as these are prescribed by law. Therefore, corporations have no choice but to comply with these basic “ground rules” (Carroll, 1979, p. 50). Ethical responsibilities of corporations are additional responsibilities going beyond legal compliance and profit making and include those that firms believe are the right things to do. Ethical responsibility stems from humanistic, religious and moral orientation of corporations (Lantos, 2001). The discretionary responsibilities refer to the voluntary nature of obligations rooted in the altruistic principles that are neither required by law nor are expected by the community. The drive for such responsibilities arises from the reciprocal obligation of giving back to community in exchange of profit and power that businesses receive from society.

### Case Study: CSR in Bangladesh

Historically, the business leaders, government and policy makers in Bangladesh placed economic imperatives before social justice in order to accelerate the pace of economic growth (Quazi, 1994). The community also supported this national priority and overlooked

the negative consequences of business operations (such as environmental pollution) for the sake of national prosperity. However, there has been increasing pressure on national and multinational corporations in Bangladesh to consider the social implications of their actions (Belal, 2001). For example, product safety has become so devastating in Bangladesh that the government has launched a campaign to combat businesses that are responsible for widespread adulteration of consumer goods. Numerous businesses have been heavily fined for violating product safety regulations and the government has also brought hundreds of corrupt politicians to justice.

A review of the CSR practices reveals that a number of corporations are showing an increased commitment to CSR beyond profit making and compliance with regulation. For example, CARE Bangladesh, Katalyst (funded by DFID, SDC, SIDA and CIDA) and Bangladesh Enterprise Institute (BEI) are working at the forefront of CSR programs in Bangladesh. Katalyst has been developing programs for CSR and have prepared a Corporate Social Audit (CSA) catering to small/medium enterprises. Similarly CARE had initiated successful CSR programs with BATA where the company is using the extensive network of CARE to promote its environmentally-friendly products door-to-door in rural communities. While these initiatives are more discretionary in their nature, they have resulted in the creation of jobs and value-added services to communities which BATA and CARE are showcasing as CSR programs in action.

Table 1 provides a summary of CSR actions reflected by a sample of 17 prominent multinational corporations and large locally-based firms operating in Bangladesh. Information on these firms was obtained from a review of annual reports, mainstream media and company websites. These 17 companies were identified following a web search of companies using such keywords as corporate social responsibility, corporate social accountability, philanthropy, corporate giving and charity in the Bangladesh context. The websites were also scanned for programs or events connected to the above set of words.

Aside from a few local corporations, the bulk of CSR programs were carried out by MNCs or companies in which MNCs have a considerable equity position. Some banks and consumer products companies have directly, or through their established foundations, undertaken CSR programs (even though they may not have coined them as such). Several pharmaceutical companies had social responsibility highlighted among their values mentioned on their website. Upon further inquiry into their annual reports, they had shown commitment by funding activities such as city beautification projects, employing physically handicapped people, sponsoring medical camps, education scholarships, providing medicines and support for disaster recovery programs.

**Table 1: Organisational Commitment to CSR**

<b>Firm</b>	<b>Major findings</b>	<b>Type of action</b>
CARE/BATA	Promotion of CSR through commercial partnerships.	Discretionary
Katalyst	Providing ethical consulting services to SMEs in order to raise awareness of CSR.	Ethical
Renata Ltd	Funding city beautification projects, employing physically handicapped people, sponsoring medical camps.	Ethical/ discretionary
Unilever	Empower the economic situation of women	Ethical/

Bangladesh	through trainings, scholarships, IT education (Fair & Lovely program).	discretionary
Dutch Bangla Bank	Bangladesh business award winner and Asian CSR award. Sustainable CSR activities have focused on improvement of health, education and poverty alleviation' in Bangladesh.	Ethical/ discretionary
British American Tobacco	Providing free basic IT education (Dishari), re-forestation program and their philosophy is that "success and responsibility go together".	Legal/ discretionary
HSBC Bangladesh Square	Contributing to support some disability centers.	Ethical
Pharmaceuticals Ltd	Signatories of UN Global Compact in Bangladesh. Their social commitments are in the area of supporting acid burn victims, Meril-Prothom Alo festivals, sporting events, etc	Ethical/ discretionary
Ibn Sina Pharmaceuticals	Social commitments include running free Friday health clinics, offer disaster management grants, etc.	Discretionary
Rangpur Foundry	Dedicated corporate governance and social responsibility strategies.	Discretionary
Advanced Chemical Industries	Introduced issues of responsibility to shareholders and other stakeholders. Statement by the chairman on 'responsible citizenship and harmonious existence with the environment,' and also mentioned that ACI is 'ever-conscious of its Corporate Social Responsibility.	Ethical
Southeast Bank Ltd	Foundation to undertake their CSR activities, however, the programs run by Southeast were more geared towards Corporate Giving, a component of CSR activities, but full blown CSR activities were not present where they had actually extended support to other trusts and foundations to run different CSR programs.	Ethical/ discretionary
Beximco Pharmaceuticals	Large local corporation with donations of medicine support for AIDS patient and disaster recovery supports.	Ethical/ discretionary

Table 1 shows that firms implemented CSR for mostly ethical or discretion reasons. Of the 17 firms investigated, 10 had implemented CSR for discretionary reasons, nine for ethical reasons, and one firm implemented for legal reasons. A search of websites for the 17 companies using such key words as corporate social responsibility, corporate social accountability, philanthropy, and corporate giving revealed that only three firms (Concord Real Estate, Partex Group and Monno Ceramic) reported no CSR related information—suggesting a reliance on traditional economic imperatives. Interestingly, five of the 17 firms were observed to implement different types of CSR initiatives for different strategic reasons—indicating that even though such firms could be ethically motivated, they were still keen to exploit any economic benefits associated with their CSR activities. However, overall, these findings show that corporations in Bangladesh are concerned with CSR, and are implementing CSR initiatives to build social equity within their employees, the community and relevant stakeholders—even if the motivation is altruistic.

### **Conclusion, Limitation and Further Research**

The conclusion of this research is that CSR is no longer exclusively a developed country phenomenon. Managers operating in developing countries are also showing interest and commitment to CSR. Despite being one of the World's poorest countries, CSR actions in Bangladesh have risen significantly in importance as noted from the findings of our study. It is believed that the interest in CSR initiatives in Bangladesh has been fuelled largely by MNCs. As countries like Bangladesh are increasingly exposed to global standards, it is anticipated that the growth of CSR will continue. From a marketing standpoint CSR is also becoming attractive to Bangladeshi companies for strategic reasons. Firms use their CSR records to create the image of socially responsible firms and thereby influence consumer buying decisions in favor of the goods and services marketed by them.

While the phenomenon of philanthropy has been a necessary part of Bangladeshi business culture for centuries, it seems that an emphasis on charitable contributions from CSR programs has enhanced the visibility of this practice. These conclusions point to the fact that Bangladeshi businesses are gradually moving from the strong economic and legal realm of CSR to the ethical and discretionary aspects highlighted within the conceptual framework used in this study. However, the principal motivation of Bangladeshi firms to engage in CSR activities has stemmed from a sense of their moral obligation to give back to society as businesses control a bulk of society's resources and the financial inability of the government to fix social problems.

The main limitation of this paper is that this research has focused on a small sample of Bangladesh firms, and has only considered one of numerous developing countries. Therefore, the findings of this study may not be generalisable across other developing countries. Therefore, future research should increase the sample size and consider CSR issues and the applicability of the conceptual framework to other developing countries towards broadening an understanding of CSR in the context of the entire developing world.

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